

STD. 400 (REV. 01-09)

<b>OAL FILE NUMBERS</b>	<b>NOTICE FILE NUMBER</b> Z-	<b>REGULATORY ACTION NUMBER</b>	<b>EMERGENCY NUMBER</b> 2009-0617-03E
For use by Office of Administrative Law (OAL) only			
<b>NOTICE</b>  <b>AGENCY WITH RULEMAKING AUTHORITY</b> Education Audit Appeals Panel		<b>REGULATIONS</b>  2009 JUN 17 PM 2:00  OFFICE OF ADMINISTRATIVE LAW	
<b>AGENCY WITH RULEMAKING AUTHORITY</b> Education Audit Appeals Panel			<b>AGENCY FILE NUMBER (if any)</b>

**A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)**

1. SUBJECT OF NOTICE		TITLE(S)	FIRST SECTION AFFECTED	2. REQUESTED PUBLICATION DATE
3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed <input type="checkbox"/> Regulatory Action <input type="checkbox"/> Other		4. AGENCY CONTACT PERSON	TELEPHONE NUMBER	FAX NUMBER (Optional)
<b>OAL USE ONLY</b>		ACTION ON PROPOSED NOTICE <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn		NOTICE REGISTER NUMBER
				PUBLICATION DATE

**B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)**

1a. SUBJECT OF REGULATION(S) Audits of K-12 LEAs - FY 2009-10	1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S) Z-2009-0609-08
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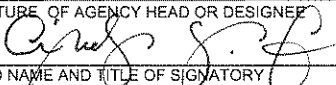
2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)	
<b>SECTION(S) AFFECTED</b> (List all section number(s) individually. Attach additional sheet if needed.)	ADOPT 19821.5, 19825.1, 19824.4, 19837.3, 19839, 19845.2
	AMEND 19815, 19816, 19816.1, 19828.3, 19837.2, 19845.1, 19846
TITLE(S) 5	REPEAL

3. TYPE OF FILING			
<input type="checkbox"/> Regular Rulemaking (Gov. Code §11346)	<input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.	<input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))	<input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
<input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §511349.3, 11349.4)	<input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)	<input type="checkbox"/> File & Print	<input type="checkbox"/> Print Only
<input checked="" type="checkbox"/> Emergency (Gov. Code, §11346.1(b))		<input type="checkbox"/> Other (Specify) _____	

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)			
5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)			
<input type="checkbox"/> Effective 30th day after filing with Secretary of State	<input checked="" type="checkbox"/> Effective on filing with Secretary of State	<input type="checkbox"/> \$100 Changes Without Regulatory Effect	<input type="checkbox"/> Effective other (Specify) _____
6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY			
<input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660)	<input type="checkbox"/> Fair Political Practices Commission	<input type="checkbox"/> State Fire Marshal	
<input type="checkbox"/> Other (Specify) _____			

7. CONTACT PERSON Carolyn Pirillo	TELEPHONE NUMBER (916) 445-7745	FAX NUMBER (Optional) (916) 445-7626	E-MAIL ADDRESS (Optional) cpirillo@eaap.ca.gov
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8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE 	DATE 060809
TYPED NAME AND TITLE OF SIGNATORY Cindy S. Chan, Executive Officer	

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*Amend sections 19815, 19816, 19816.1, 19828.3, 19837.2, 19845.1, and 19846, and add sections 19821.5, 19825.1, 19828.4, 19837.3, 19839, and 19845.2 to read:*

**TITLE 5. Education**

**Division 1.5. Education Audit Appeals Panel**

**Chapter 3. Audits of California K-12 Local Education Agencies**

**Article 2. Audit Reports**

**§ 19815. Report Components.**

The report of each audit performed pursuant to Education Code Section 41020 shall be as follows, except that the subelements of (d) may be in any order among themselves:

(a) Introductory Section.

(1) Table of Contents for the audit report.

(2) Other information as deemed appropriate by the auditee.

(b) Financial Section.

(1) Independent Auditor's Report.

(2) Management's Discussion and Analysis.

(3) Basic Financial Statements.

(4) Notes to the Basic Financial Statements.

(c) Required Supplementary Information.

Schedule of budgetary comparison data, by object for the 2009-10 fiscal year and following, for the General Fund and any major special revenue funds that have legally adopted annual budgets, disclosing excesses of expenditures over appropriations, if any, in individual funds presented in the budgetary comparison.

(d) Supplementary Information.

(1) Local Education Agency Organization Structure.

- 1 (2) Schedule of Average Daily Attendance.
- 2 (3) Schedule of Instructional Time.
- 3 (4) Schedule of Financial Trends and Analysis.
- 4 (5) Reconciliation of Annual Financial and Budget Report With Audited Financial
- 5 Statements.
- 6 (6) Optionally, Combining Statements and Individual Fund Statements and Schedules.
- 7 (7) Schedule of Charter Schools.
- 8 (8) If required as set forth in the edition of OMB Circular A-133 applicable to the year
- 9 being audited, Schedule of Expenditures of Federal Awards.
- 10 (9) Notes to Supplementary Information, if required.
- 11 (e) Other Independent Auditor's Reports.
- 12 (1) Report on Internal Control Over Financial Reporting and on Compliance and Other
- 13 Matters Based on an Audit of Financial Statements Performed in Accordance with *Government*
- 14 *Auditing Standards*.
- 15 (2) Report on State Compliance.
- 16 (3) If required as set forth in the edition of OMB Circular A-133 applicable to the year
- 17 being audited, Report on Compliance With Requirements Applicable to Each Major Program
- 18 and Internal Control Over Compliance in Accordance With OMB Circular A-133.
- 19 (f) Findings and Recommendations.
- 20 (1) Schedule of Findings and Questioned Costs.
- 21 (2) Schedule of Prior Audit Findings.
- 22 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1,
- 23 14503 and 41020, Education Code.
- 24 **§ 19816. Definitions.**

1 The content of the audit report sections and subsections specified in Section 19815 is as  
2 described in the *Codification of Statements on Auditing Standards*, published by the American  
3 Institute of Certified Public Accountants, the *Codification of Governmental Accounting and*  
4 *Financial Reporting Standards*, published by the Governmental Accounting Standards Board  
5 (GASB), or *Government Auditing Standards* published by the Comptroller General of the  
6 United States, in the respective editions applicable to the fiscal year being audited, or as  
7 defined in one of the following:

8 (a) “*Government Auditing Standards*” means the publication by the Comptroller General of  
9 the United States, United States General Accounting Office, originally issued in 1972 and  
10 revised from time to time, commonly known as the “Yellow Book,” that contains standards for  
11 audits of government organizations, programs, activities, and functions and that is referenced  
12 in Education Code sections 14501, 14503, and 41020(b)(4).

13 (b) “Local Education Agency Organization Structure” means a description in the  
14 Supplementary Information section that sets forth the following information, at a minimum:

15 (1) The date on which the local education agency was established, and for charter schools  
16 the date and granting authority of each charter;

17 (2) The date and a general description of any change during the year audited in a school  
18 district’s boundaries;

19 (3) The numbers by type of schools in the local education agency;

20 (4) The names, titles, terms, and term expiration dates of all members of the governing  
21 board;

22 (5) The names, with their titles, of the superintendent, chief business official, and  
23 deputy/associate/assistant superintendents.

24 (c) “OMB Circular A-133” means the publication, produced by the federal Office of

1 Management and Budget and titled *Audits of States, Local Governments, and Non-Profit*  
2 *Organizations*, that sets forth standards for attaining consistency and uniformity in the audits of  
3 governments and organizations expending federal awards.

4 (d) "Reconciliation of Annual Financial and Budget Report with Audited Financial  
5 Statements" means a schedule that displays the differences between the ending fund balance(s)  
6 from the audited financial statements and the unaudited ending fund balance(s) from the annual  
7 financial and budget report for each fund in which a variance occurred.

8 (e) "Report on Internal Control Over Financial Reporting and on Compliance and Other  
9 Matters Based on an Audit of Financial Statements Performed in Accordance with *Government*  
10 *Auditing Standards*" means the component of the Other Independent Auditor's Reports that  
11 specifies material instances of noncompliance, if any; defines ~~reportable conditions~~ control  
12 deficiency and significant deficiency and specifies the ~~reportable conditions~~ significant  
13 deficiencies disclosed ~~as a result of~~ by the audit; defines material weaknesses and specifies the  
14 material weaknesses, if any, that were disclosed by the audit; if no significant deficiencies were  
15 identified, includes a statement that no material weaknesses were found, ~~if that is the case~~  
16 noted; if significant deficiencies were noted, a statement that the auditor's consideration of  
17 internal control over financial reporting would not necessarily identify all deficiencies in the  
18 internal control that might be significant deficiencies and a statement about whether the auditor  
19 believes any of the significant deficiencies noted were material weaknesses; includes a  
20 statement that ~~nonmaterial noncompliance and nonreportable conditions involving the internal~~  
21 ~~control structure and its operation~~ additional matters were communicated to management the  
22 auditee in a ~~separate~~ management letter, if that is the case; specifies all instances of fraud and  
23 illegal acts, if any, that were disclosed by the audit, unless clearly inconsequential; specifies  
24 material violations of provisions of contracts and grant agreements, if any; and specifies

1 material abuse, if any, that was disclosed by the audit.

2 (f) "Report on State Compliance" means the component of the Other Independent  
3 Auditor's Reports that specifically and separately addresses each of the state compliance  
4 requirements included in this audit guide that are applicable to the year audited, stating  
5 whether or not the district is in compliance with those requirements; includes a chart that  
6 displays the number of audit procedures for each compliance requirement applicable to the  
7 year audited and states that the audit procedures included in the audit guide for each  
8 requirement were followed in the making of the audit, if that is the case, or, if not, what other  
9 procedures were followed; and includes an expression of positive assurance with respect to  
10 compliance with applicable laws and regulations for those items tested in accordance with  
11 those regulations, and negative assurance for untested items.

12 (1) The numbers of audit procedures for the compliance requirements included in this audit  
13 guide for audits of fiscal year 2003-04 are

14 Attendance Reporting, 6;

15 Kindergarten Continuance, 3;

16 Independent Study, 22;

17 Continuation Education, 10;

18 Adult Education, 9;

19 Regional Occupational Centers and Programs, 6;

20 Instructional Time and Staff Development Reform Program, 7;

21 Instructional Time for school districts, 4; for county offices of education, 3;

22 Community Day Schools, 9;

23 Instructional Materials general requirements, 9; K-8 only, 1; grades 9-12 only, 1;

24 Ratios of Administrative Employees to Teachers, 1;

1 Early Retirement Incentive, 4;  
2 Gann Limit Calculation, 1;  
3 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
4 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4.  
5 (2) The numbers of audit procedures for the compliance requirements included in this audit  
6 guide for audits of fiscal year 2004-05 are  
7 Attendance Reporting, 8;  
8 Kindergarten Continuance, 3;  
9 Independent Study, 22;  
10 Continuation Education, 10;  
11 Adult Education, 9;  
12 Regional Occupational Centers and Programs, 6;  
13 Instructional Time and Staff Development Reform Program, 7;  
14 Instructional Time for school districts, 4; for county offices of education, 3;  
15 Community Day Schools, 9;  
16 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;  
17 Ratios of Administrative Employees to Teachers, 1;  
18 Early Retirement Incentive, 4;  
19 Gann Limit Calculation, 1;  
20 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;  
21 Alternative Pension Plans, 2;  
22 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;  
23 State Lottery Funds (California State Lottery Act of 1984), 2;  
24 California School Age Families Education (Cal-SAFE) Program, 3;

1 School Accountability Report Card, 3;  
2 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
3 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4.  
4 (3) The numbers of audit procedures for the compliance requirements included in this audit  
5 guide for audits of fiscal year 2005-06 are  
6 Attendance Reporting, 8;  
7 Kindergarten Continuance, 3;  
8 Independent Study, 22;  
9 Continuation Education, 10;  
10 Adult Education, 9;  
11 Regional Occupational Centers and Programs, 6;  
12 Instructional Time for school districts, 4; for county offices of education, 3;  
13 Community Day Schools, 9;  
14 Morgan-Hart Class Size Reduction Program, 7;  
15 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;  
16 Ratios of Administrative Employees to Teachers, 1;  
17 Early Retirement Incentive, 4;  
18 Gann Limit Calculation, 1;  
19 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;  
20 Alternative Pension Plans, 2;  
21 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;  
22 State Lottery Funds (California State Lottery Act of 1984), 2;  
23 California School Age Families Education (Cal-SAFE) Program, 3;  
24 School Accountability Report Card, 3;



1       Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
2       3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;  
3       Contemporaneous Records of Attendance, for charter schools, 1;  
4       Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;  
5       Additional Nonclassroom-Based Instruction, for charter schools, 1;  
6       Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;  
7       Annual Instructional Minutes – Classroom Based, for charter schools, 3.  
8       (4) The numbers of audit procedures for the compliance requirements included in this audit  
9       guide for audits of fiscal year 2006-07 are  
10       Attendance Reporting, 8;  
11       Kindergarten Continuance, 3;  
12       Independent Study, 23;  
13       Continuation Education, 10;  
14       Adult Education, 9;  
15       Regional Occupational Centers and Programs, 6;  
16       Instructional Time for school districts, 6; for county offices of education, 3;  
17       Community Day Schools, 9;  
18       Morgan-Hart Class Size Reduction Program, 7;  
19       Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;  
20       Ratios of Administrative Employees to Teachers, 1;  
21       Early Retirement Incentive, 4;  
22       Gann Limit Calculation, 1;  
23       School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;  
24       Alternative Pension Plans, 2;

1       Excess Sick Leave, 2 or 3;  
 2       Notice of Right To Elect California State Teachers Retirement System (CalSTRS)  
 3       Membership, 1;  
 4       Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;  
 5       State Lottery Funds (California State Lottery Act of 1984), 2;  
 6       California School Age Families Education (Cal-SAFE) Program, 3;  
 7       School Accountability Report Card, 3;  
 8       Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
 9       3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;  
 10       Contemporaneous Records of Attendance, for charter schools, 1;  
 11       Mode of Instruction, for charter schools, 1;  
 12       Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;  
 13       Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;  
 14       Annual Instructional Minutes – Classroom Based, for charter schools, 3;  
 15       (5) The numbers of audit procedures for the compliance requirements included in this audit  
 16       guide for audits of fiscal year 2007-08 are  
 17       Attendance Reporting, 8;  
 18       Kindergarten Continuance, 3;  
 19       Independent Study, 23;  
 20       Continuation Education, 10;  
 21       Adult Education, 9;  
 22       Regional Occupational Centers and Programs, 6;  
 23       Instructional Time for school districts, 6; for county offices of education, 3;  
 24       Community Day Schools, 9;

1 Morgan-Hart Class Size Reduction Program, 7;  
2 Instructional Materials general requirements, 12; K-8 only, 1; grades 9-12 only, 1;  
3 Ratios of Administrative Employees to Teachers, 1;  
4 Classroom Teacher Salaries, 1;  
5 Early Retirement Incentive, 4;  
6 Gann Limit Calculation, 1;  
7 School Construction Funds: School District Bonds, 3; State School Facilities Funds, 1;  
8 Excess Sick Leave, 2 or 3;  
9 Notice of Right To Elect California State Teachers Retirement System (CalSTRS)  
10 Membership, 1;  
11 Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000), 2;  
12 State Lottery Funds (California State Lottery Act of 1984), 2;  
13 California School Age Families Education (Cal-SAFE) Program, 3;  
14 School Accountability Report Card, 3;  
15 Mathematics and Reading Professional Development, 4;  
16 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
17 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;  
18 After School Education and Safety Program: general requirements, 4; after school, 4;  
19 before school, 5;  
20 Contemporaneous Records of Attendance, for charter schools, 1;  
21 Mode of Instruction, for charter schools, 1;  
22 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;  
23 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;  
24 Annual Instructional Minutes – Classroom Based, for charter schools, 3.

1 (6) The numbers of audit procedures for the compliance requirements included in this audit  
2 guide for audits of fiscal year 2008-09 are

3 Attendance Reporting, 8;  
4 Independent Study, 23;  
5 Continuation Education, 10;  
6 ~~Adult Education, 9;~~  
7 ~~Regional Occupational Centers and Programs, 6;~~  
8 Instructional Time for school districts, 6; for county offices of education, 3;  
9 Community Day Schools, 9 3;  
10 ~~Morgan-Hart Class Size Reduction Program, 7;~~  
11 Instructional Materials general requirements, 12 8; ~~K-8 only, 1; grades 9-12 only, 1;~~  
12 Ratios of Administrative Employees to Teachers, 1;  
13 Classroom Teacher Salaries, 1;  
14 Early Retirement Incentive, 4;  
15 Gann Limit Calculation, 1;  
16 School Accountability Report Card, 3;  
17 ~~Mathematics and Reading Professional Development, 4;~~  
18 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
19 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;  
20 After School Education and Safety Program: general requirements, 4; after school, 4;  
21 before school, 5;  
22 Contemporaneous Records of Attendance, for charter schools, 1;  
23 Mode of Instruction, for charter schools, 1;  
24 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;

1 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;  
2 Annual Instructional Minutes – Classroom Based, for charter schools, 3.  
3 (7) The numbers of audit procedures for the compliance requirements included in this audit  
4 guide for audits of fiscal year 2009-10 are  
5 Attendance Reporting, 8;  
6 Kindergarten Continuance, 3;  
7 Independent Study, 23;  
8 Continuation Education, 10;  
9 California Work Opportunity and Responsibility to Kids (CalWORKs), 5;  
10 Instructional Time for school districts, 6; for county offices of education, 3;  
11 Community Day Schools, 8;  
12 Instructional Materials general requirements, 8; K-8 only, 1; grades 9-12 only, 1;  
13 Ratios of Administrative Employees to Teachers, 1;  
14 Classroom Teacher Salaries, 1;  
15 Early Retirement Incentive, 4;  
16 Gann Limit Calculation, 1;  
17 School Accountability Report Card, 3;  
18 Public Hearing Requirement – Receipt of Funds, 1;  
19 Class Size Reduction (including in charter schools): general requirements, 7; Option One,  
20 3; Option Two, 4; districts or charter schools with only one school serving K-3, 4;  
21 After School Education and Safety Program: general requirements, 4; after school, 4;  
22 before school, 5;  
23 Contemporaneous Records of Attendance, for charter schools, 1;  
24 Mode of Instruction, for charter schools, 1;

1 Nonclassroom-Based Instruction/Independent Study, for charter schools, 15;

2 Determination of Funding for Nonclassroom-Based Instruction, for charter schools, 3;

3 Annual Instructional Minutes – Classroom Based, for charter schools, 3.

4 (g) “Report on Compliance With Requirements Applicable to Each Major Program and  
5 Internal Control Over Compliance in Accordance With OMB Circular A-133” means the  
6 component of the Other Independent Auditor’s Reports that states whether the auditee has  
7 complied with federal laws, regulations, and the provisions of federal contracts or grant  
8 agreements and has established and maintained effective internal control over compliance with  
9 the requirements for major federal programs.

10 (h) “Schedule of Average Daily Attendance” means the schedule in the Supplementary  
11 Information section that displays Average Daily Attendance data for both the Second Period  
12 and Annual reports, by grade level and program as appropriate, and, for charter schools,  
13 includes total Average Daily Attendance and Average Daily Attendance generated through  
14 classroom-based instruction; and for fiscal year 2009-10 and following, if there are any  
15 Average Daily Attendance adjustments due to audit findings, displays additional columns for  
16 the Second Period and Annual reports reflecting the final Average Daily Attendance after audit  
17 finding adjustments.

18 (i) “Schedule of Charter Schools” means the schedule in the Supplementary Information  
19 section that lists all charter schools chartered by the school district or county office of  
20 education, and displays information for each charter school on whether or not the charter  
21 school is included in the school district or county office of education audit.

22 (j) “Schedule of Financial Trends and Analysis” means, for fiscal year 2003-04, the  
23 schedule in the Supplementary Information section that displays information regarding the  
24 auditee’s financial position and going concern status, in the form of actual financial and

attendance figures for at least the most recent three-year period (ending with the audit year), plus the current year's budget, for the following items: General Fund financial activity, including total revenue, expenditures, and other sources and uses; General Fund balance; available reserve balances (funds designated for economic uncertainty, and any other remaining undesignated fund balance) within the General Fund, Special Reserve Fund, and any Article XIII-B Trust Funds; available reserve balances expressed as a percentage of total General Fund outgo (expenditures, transfers out, and other uses), including a comparison to the applicable state-recommended available reserve percentage; total long-term debt; and elementary and secondary Second Principal Average Daily Attendance, excluding Regional Occupational Centers and Programs and Adult Average Daily Attendance; and, when the auditee's percentage of available reserves to total General Fund outgo is below the state-recommended percentage, management's plans for increasing the auditee's available reserve percentage.

(k) "Schedule of Financial Trends and Analysis" means, for fiscal year 2004-05 and each fiscal year thereafter, the schedule in the Supplementary Information section that displays information regarding the auditee's financial position and going concern status, in the form of actual financial and attendance figures for at least the most recent three-year period (ending with the audit year), plus the current year's budget, for the following items: General Fund financial activity, including total revenue, expenditures, and other sources and uses; General Fund balance; available reserve balances (funds designated for economic uncertainty, and any other remaining undesignated fund balance) within the General Fund or Special Reserve Fund; available reserve balances expressed as a percentage of total General Fund outgo (expenditures, transfers out, and other uses), including a comparison to the applicable state-recommended available reserve percentage; total long-term debt; and elementary and

1 secondary Second Principal Average Daily Attendance, excluding Regional Occupational  
2 Centers and Programs and Adult Average Daily Attendance; and, when the auditee's  
3 percentage of available reserves to total General Fund outgo is below the state-recommended  
4 percentage, management's plans for increasing the auditee's available reserve percentage.

5 (I) "Schedule of Findings and Questioned Costs" means that part of the Findings and  
6 Recommendations section that presents all audit year findings, and a copy of each management  
7 letter issued, if any, with each finding assigned the appropriate code from among the  
8 following: 10000 Attendance, 20000 Inventory of Equipment, 30000 Internal Control, 40000  
9 State Compliance, 41000 CalSTRS, 50000 Federal Compliance, 60000 Miscellaneous, 61000  
10 Classroom Teacher Salaries, 70000 Instructional Materials, 71000 Teacher Misassignments,  
11 72000 School Accountability Report Card, and includes the following elements:

12 (1) criteria

13 (2) condition

14 (3) effect

15 (4) cause

16 (5) a statement of the number of units of Average Daily Attendance, if any, that were  
17 inappropriately reported for apportionment; and a statement consistent with its basis of  
18 funding, for any other inappropriately reported claim—such as number of staff  
19 development days, or number of pupils for Class Size Reduction, or amount in dollars for  
20 Instructional Materials, and so forth

21 (6) a recommendation for the resolution of the finding

22 (7) a corrective action plan prepared by the auditee that describes in specific terms the  
23 actions planned or taken to correct the problem, or a statement from the auditee that the  
24 corrective action recommended by the auditor is not necessary or appropriate and giving



1 the specific reasons why, if that is the case, and a statement that the corrective action plan  
2 was not available if no corrective action plan was submitted before the audit report was  
3 prepared.

4 (m) "Schedule of Instructional Time" means a schedule in the Supplementary Information  
5 section that displays, for school districts, including basic aid districts, and county offices of  
6 education, data that show whether the auditee complied with the provisions of Article 8  
7 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code; and for  
8 charter schools, data that show whether the auditee complied with the provisions of subdivision  
9 (a)(1) of Education Code Section 47612.5.

10 (n) "Schedule of Prior Audit Findings" means that part of the Findings and  
11 Recommendations section that presents the status of actions taken by the auditee on each of the  
12 findings and recommendations reported in the prior year audit, and includes as current year  
13 findings and recommendations those prior year findings that have not been resolved.

14 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501,  
15 14502.1, 14503, 41020 and 47634.2, Education Code.

16 **§ 19816.1. Applicability of Audit Procedures by Audit Year.**

17 (a) Of the compliance requirements set forth in Article 3:

18 (1) Sections 19817 through 19825, and 19828 through 19831 are applicable to fiscal year  
19 2003-04 audits;

20 (2) Sections 19817.1 through 19825, and 19828.1 through 19837 are applicable to fiscal  
21 year 2004-05 audits.

22 (3) Sections 19817.1 through 19822, 19824, 19825, 19827, and 19828.1 through 19837 are  
23 applicable to fiscal year 2005-06 audits.

24 (4) Sections 19817.1 through 19822, 19824, 19825, 19827, and 19828.1 through 19837 are

1 applicable to fiscal year 2006-07 audits.

2 (5) Sections 19817.1 through 19822, 19824, 19825, 19827, 19828.2 through 19832, and  
3 19833.5 through 19838 are applicable to fiscal year 2007-08 audits.

4 (6) Sections 19817.1, 19819, ~~through 19822~~ 19820, 19824, 19825, ~~19827~~, 19828.3 through  
5 19831, and 19837.2, ~~and 19838~~ are applicable to fiscal year 2008-09 audits.

6 (7) Sections 19817.1 through 19820, 19821.5, 19824, 19825.1, 19828.4 through 19831,  
7 19837.3, and 19839, are applicable to fiscal year 2009-10 audits.

8 (b) Of the compliance requirements set forth in Article 3.1,

9 (1) Section 19845 is applicable to fiscal year 2003-04 audits;

10 (2) Section 19845.1 is applicable to fiscal year 2004-05 audits;

11 (3) Section 19845.1 is applicable to fiscal year 2005-06 audits;

12 (4) Section 19845.1 is applicable to fiscal year 2006-07 audits;

13 (5) Sections 19845.1 and 19846 are applicable to fiscal year 2007-08 audits.

14 (6) Sections ~~19845.1~~ 19845.2 and 19846 are applicable to fiscal year 2008-09 audits.

15 (7) Sections 19845.2 and 19846 are applicable to fiscal year 2009-10 audits.

16 (c) Of the compliance requirements set forth in Article 4,

17 (1) Sections 19850 through 19854 are applicable to fiscal year 2005-06 audits.

18 (2) Sections 19850 through 19854 are applicable to fiscal year 2006-07 audits.

19 (3) Sections 19850 through 19854 are applicable to fiscal year 2007-08 audits.

20 (4) Sections 19850 through 19854 are applicable to fiscal year 2008-09 audits.

21 (5) Sections 19850 through 19854 are applicable to fiscal year 2009-10 audits.

22 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501,  
23 14502.1, 14503, 41020 and 47634.2, Education Code.

24 //

1                   **Article 3. State Compliance Procedures: Local Education Agencies**

2                                   **Other Than Charter Schools**

3    **§ 19821.5. California Work Opportunity and Responsibility to Kids (CalWORKs)**

4       (a) Determine whether the school district or regional occupational center or program  
5    (ROC/P) received funding for serving CalWORKs eligible students. If so, perform the  
6    following procedures:

7       (b) Determine whether the school district or regional occupational center or program

8       (1) Met the terms of the interagency agreement between the California Department of  
9    Education and the State Department of Social Services pursuant to Provision 2 of Budget Act  
10   Item 6110-156-0001 (Statutes of 2009, Chapter 1 (SBX3 1)).

11       (2) Fully claimed its respective adult education or regional occupational centers or  
12    programs Average Daily Attendance cap for the audit year.

13       (3) Claimed the maximum allowable funds available under the interagency agreement  
14    pursuant to Provision 2 of Budget Act Item 6110-156-0001 (Statutes of 2009, Chapter 1  
15    (SBX3 1)).

16       (c) If the school district or regional occupational center or program did not meet the  
17    requirements set forth in procedures 1 through 3 of subparagraph (b) of this section, the school  
18    district or regional occupational center or program was not eligible to claim funds for services  
19    provided to CalWORKs eligible students. Include a finding in the Findings and  
20    Recommendations section of the audit report showing the full amount of funding received for  
21    serving CalWORKs eligible students as disallowed.

22       (d) Verify that the funds received by the school district or ROC/P for serving CalWORKs  
23    eligible students

24       (1) were used only for educational activities that were designed to increase self-sufficiency,

1 job training, and work; and

2 (2) were used to supplement and not supplant existing funds and services for CalWORKs  
3 eligible students.

4 (e) If the school district or regional occupational center or program was not in compliance  
5 with either of the requirements set forth in audit procedures 1 or 2 of subparagraph (d) of this  
6 section, include a finding in the Findings and Recommendations section of the audit report  
7 showing the amount of inappropriately expended funds as disallowed.

8 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1,  
9 14503 and 41020, Education Code.

10 **§ 19825.1. Community Day Schools.**

11 (a) Verify that the minimum school day included at least 360 minutes of community day  
12 school classroom instruction by reviewing the bell schedule(s) of the school district's or county  
13 office of education's community day school(s), and that the school's practice was to schedule  
14 all pupils, other than pupils with exceptional needs whose Individualized Education Programs  
15 specified otherwise, to attend for at least the minimum day.

16 (b) Select a representative sample of enrolled pupils and verify that they were scheduled to  
17 attend the community day school for at least 360 minutes each day by reviewing their class  
18 assignments.

19 (c) Verify that classroom instruction was provided by a certificated employee of the school  
20 district or county office of education for at least the minimum school day, by reviewing teacher  
21 room assignments and employment records.

22 (d) If any inappropriately reported units of Average Daily Attendance are identified  
23 through the foregoing audit procedures, recalculate, consistent with the provisions of  
24 Education Code Section 46303, the correct number of units of Average Daily Attendance.

1 Include a statement in the Findings and Recommendations section of the audit report of the  
2 number of units of Average Daily Attendance that were inappropriately reported for  
3 apportionment and an estimate of their dollar value.

4 (e) Review the supporting documentation for the school district's claim for the additional  
5 Average Daily Attendance funding for actual attendance in the fifth and sixth hours of  
6 instruction pursuant to the provisions of subdivision (c) of Education Code Section 48663 and  
7 Education Code Section 48664. Verify that only those pupils who were identified as  
8 mandatorily expelled pursuant to subdivision (d) of Education Code Section 48915 were  
9 included in the claim for the additional fifth and sixth hour Average Daily Attendance funding,  
10 and that no pupils were included in that claim who were identified as expelled for any other  
11 reasons, or identified as probation referred pursuant to Welfare and Institutions Code sections  
12 300 and 602, or identified as referred to the community day school by a school attendance  
13 review board or any other district level referral process.

14 (f) If any pupils are identified through the audit procedure in subparagraph (e) of this  
15 section as having been inappropriately included in the claim for the additional fifth and sixth  
16 hour Average Daily Attendance, include a schedule in the Findings and Recommendations  
17 section of the audit report displaying the number of pupils who were inappropriately included  
18 in the claim, the number of units of fifth and sixth hour Average Daily Attendance associated  
19 with those pupils, and an estimate of the dollar value of that fifth and sixth hour Average Daily  
20 Attendance.

21 (g) From the supporting documentation for the school district's claim for the additional  
22 fifth and sixth hour Average Daily Attendance as described in subparagraph (e) of this section,  
23 select a representative sample of pupils identified as mandatorily expelled and verify that those  
24 pupils were expelled pursuant to subdivision (d) of Education Code Section 48915 for

commission of one or more of the acts specified in subdivision (c) of Education Code Section 48915 by reviewing the orders to expel for each pupil in the sample.

(h) If any pupils are identified through the audit procedure in subparagraph (g) of this section as having been inappropriately identified as mandatorily expelled, include a schedule in the Findings and Recommendations section of the audit report displaying the number of pupils who were inappropriately identified, the number of units of fifth and sixth hour Average Daily Attendance associated with those pupils, and an estimate of the dollar value of that fifth and sixth hour Average Daily Attendance.

(i) Using the sample selected in subparagraph (g) of this section, perform the following procedures:

(1) Trace the credit reported for each sampled pupil's attendance in the fifth and sixth hours of attendance back to the record prepared by the classroom teacher.

(2) Verify that hourly attendance accounting was used.

(3) Verify that pupils who attended fewer than five hours in a school day were not reported for attendance credit for the additional funding, that attendance of five hours was reported for one-half day of attendance credit for the additional funding, and that attendance of six hours or more was reported for one whole day of attendance credit for the additional funding.

(j) If any inappropriately reported units of fifth and sixth hour Average Daily Attendance are identified through the immediately foregoing procedure, prepare a schedule displaying the hours of attendance credit inappropriately reported and recalculate, consistent with the provisions of Education Code Section 46303, the correct number of units of Average Daily Attendance. Include a statement in the Findings and Recommendations section of the audit report of the number of units of Average Daily Attendance that were inappropriately reported for apportionment and an estimate of their dollar value.

1 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1,  
2 14503 and 41020, Education Code.

3 **§ 19828.3. Instructional Materials.**

4 For fiscal year 2008-09 and ~~each fiscal year thereafter~~, perform the following procedures:

5 (a) Determine whether the year audited is one for which the governing boards of school  
6 districts or county boards of education that receive funds for instructional materials from any  
7 state source are subject to the provisions of Education Code Section 60119, as set forth in  
8 subdivision (d) of that section prior to the amendment effective February 20, 2009.

9 (b) If the year audited is one in which the school district or county office of education was  
10 required to conduct a hearing as provided in Education Code Section 60119, perform the  
11 following audit procedures.

12 (1) Determine whether the school district governing board or county board of education,  
13 prior to making a determination through a resolution as to the sufficiency of textbooks or other  
14 instructional materials, held the public hearing or hearings required by the provisions of  
15 Education Code Section 60119 on or before the end of the eighth week from the first day  
16 pupils attended school for that year, or, in a school district or county office of education having  
17 schools that operate on a multitrack, year-round calendar, on or before the end of the eighth  
18 week from the first day pupils attended school for that year on any track that began in August  
19 or September.

20 (2) Determine whether the school district governing board or county board of education  
21 provided 10-day notice of the required public hearing or hearings.

22 (3) Determine whether each notice included the time, place, and purpose of the hearing and  
23 whether the school district or county office of education posted the notice at a minimum of  
24 three public locations in the school district or county, respectively.

1       (4) Determine whether the hearing was held at a time that encouraged the attendance of  
2 teachers and parents and guardians of pupils who attend the schools in the district and did not  
3 take place during or immediately following school hours.

4       (5) Determine whether the resolution stated that each pupil in each school had sufficient  
5 textbooks or instructional materials aligned to the content standards adopted by the State Board  
6 of Education pursuant to Education Code Section 60605 and consistent with the content and  
7 cycles of the curriculum framework adopted by the State Board of Education, or instead that  
8 there was an insufficiency of such textbooks or instructional materials, or both, in any one or  
9 more of mathematics, science, history-social science, and English/language arts including the  
10 English language development component of an adopted program, as appropriate. If the  
11 resolution stated any insufficiency, verify that the school district governing board or county  
12 board of education provided information to classroom teachers and to the public, setting forth,  
13 in the resolution, for each school in which an insufficiency existed, the percentage of pupils  
14 who lacked sufficient standards-aligned textbooks or instructional materials in each subject  
15 area and the reasons that each pupil did not have sufficient standards-aligned textbooks or  
16 instructional materials, or both, and took action to ensure that each pupil would have sufficient  
17 textbooks or instructional materials, or both, within two months of the beginning of the school  
18 year in which the determination was made.

19       (6) Verify whether the governing board made a written determination as to whether each  
20 pupil enrolled in a foreign language or health course had sufficient textbooks or instructional  
21 materials that were consistent with the content and cycles of the curriculum frameworks  
22 adopted by the State Board of Education for those subjects.

23       (7) Verify whether the governing board determined the availability of laboratory science  
24 equipment as applicable to science laboratory courses offered in grades 9 to 12, inclusive.



1 (c) If the school district or county office of education was not in compliance with any of  
2 the requirements set forth in audit procedures 1 through 5 of subparagraph (b) of this section,  
3 the school district or county office of education was not eligible to receive an Instructional  
4 Materials Funding Realignment Program allowance for the fiscal year audited. Include a  
5 finding in the Findings and Recommendations section of the audit report showing the full  
6 amount of Instructional Materials Funding Realignment Program allowance received as  
7 disallowed.

8 (d) If the school district or county office of education was not in compliance with any of  
9 the requirements set forth in audit procedures 6 or 7 of subparagraph (b) of this section, report  
10 the noncompliance in a finding in the Findings and Recommendations section of the audit  
11 report.

12 ~~(e) Instructional Materials Funding Realignment Program:~~

13 ~~(1) Determine the amount of the Instructional Materials Funding Realignment Program~~  
14 ~~allowance received by the local education agency.~~

15 ~~(2) Verify that the allowance received was accounted for separately.~~

16 ~~(3) For kindergarten and grades 1 through 8, review the local education agency's list of~~  
17 ~~instructional materials purchased and select a sample to verify that the materials were adopted~~  
18 ~~by the State Board of Education in March 1999 or later, are in one of the four eligible subject~~  
19 ~~areas, and bear the copyright date and are of editions of the materials adopted by the State~~  
20 ~~Board of Education.~~

21 ~~(4) For grades 9 through 12, review the local education agency's list of instructional~~  
22 ~~materials purchased and select a sample to verify that the materials were reviewed and~~  
23 ~~approved through a resolution adopted by the local education agency's governing board as~~  
24 ~~being aligned with State Board of Education adopted content standards.~~

1       ~~(5) Determine whether the governing board certified, as set forth in Education Code~~  
2       ~~Section 60422, that each pupil had been provided with a standards-aligned textbook or basic~~  
3       ~~instructional materials;~~

4       ~~(A) for kindergarten and grades 1 to 8, inclusive, as adopted by the State Board of~~  
5       ~~Education pursuant to the provisions of Education Code Section 60200 and following; and by~~  
6       ~~the beginning of the first school term that commenced not later than 24 months after their~~  
7       ~~adoption; and~~

8       ~~(B) for grades 9 to 12, inclusive, as adopted by the local governing board pursuant to the~~  
9       ~~provisions of Education Code Sections 60400 and 60411.~~

10       ~~(6) If the governing board did certify as set forth in Education Code Section 60422, review~~  
11       ~~the Instructional Materials Funding Realignment Program expenditures initiated after the~~  
12       ~~certification was made and select a sample to verify that the expenditures each fell into one of~~  
13       ~~the following categories:~~

14       ~~(A) Purchase of instructional materials adopted by the State Board of Education pursuant to~~  
15       ~~the provisions of Education Code Section 60200 for kindergarten and grades 1 through 8, or by~~  
16       ~~the governing board pursuant to the provisions of Education Code Section 60400 for grades 9~~  
17       ~~through 12.~~

18       ~~(B) Purchase, at the local education agency's discretion, of instructional materials,~~  
19       ~~including, but not limited to, supplementary instructional materials and technology-based~~  
20       ~~materials from any source.~~

21       ~~(C) Purchase of tests.~~

22       ~~(D) Binding of textbooks that were otherwise usable and were on the most recent list of~~  
23       ~~basic instructional materials adopted by the State Board of Education and made available~~  
24       ~~pursuant to the provisions of Education Code Section 60200.~~

1 ~~(E) Funding of in-service training related to instructional materials.~~

2 ~~(F) Purchase of classroom library materials for kindergarten and grades 1 through 4, if the~~  
3 ~~local education agency had a plan as specified in subdivision (d) of Education Code Section~~  
4 ~~60242.~~

5 ~~(f) If any of the instructional materials funds are found to have been expended~~  
6 ~~inappropriately, include the amount inappropriately spent in a finding in the Findings and~~  
7 ~~Recommendations section of the audit report.~~

8 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501,  
9 14502.1, 14503 and 41020, Education Code.

10 **§ 19828.4. Instructional Materials.**

11 (a) For fiscal year 2009-10 and each fiscal year thereafter, perform the following  
12 procedures:

13 (1) Determine whether the school district governing board or county board of education,  
14 prior to making a determination through a resolution as to the sufficiency of textbooks or other  
15 instructional materials, held the public hearing or hearings required by the provisions of  
16 Education Code Section 60119 on or before the end of the eighth week from the first day  
17 pupils attended school for that year, or, in a school district or county office of education having  
18 schools that operate on a multitrack, year-round calendar, on or before the end of the eighth  
19 week from the first day pupils attended school for that year on any track that began in August  
20 or September.

21 (2) Determine whether the school district governing board or county board of education  
22 provided 10-day notice of the required public hearing or hearings.

23 (3) Determine whether each notice included the time, place, and purpose of the hearing and  
24 whether the school district or county office of education posted the notice at a minimum of

1 three public locations in the school district or county, respectively.

2 (4) Determine whether the hearing was held at a time that encouraged the attendance of  
3 teachers and parents and guardians of pupils who attend the schools in the district and did not  
4 take place during or immediately following school hours.

5 (5) Determine whether the resolution stated that each pupil in each school had sufficient  
6 textbooks or instructional materials aligned to the content standards adopted by the State Board  
7 of Education pursuant to Education Code Section 60605 and consistent with the content and  
8 cycles of the curriculum framework adopted by the State Board of Education, or instead that  
9 there was an insufficiency of such textbooks or instructional materials, or both, in any one or  
10 more of mathematics, science, history-social science, and English/language arts including the  
11 English language development component of an adopted program, as appropriate. If the  
12 resolution stated any insufficiency, verify that the school district governing board or county  
13 board of education provided information to classroom teachers and to the public, setting forth,  
14 in the resolution, for each school in which an insufficiency existed, the percentage of pupils  
15 who lacked sufficient standards-aligned textbooks or instructional materials in each subject  
16 area and the reasons that each pupil did not have sufficient standards-aligned textbooks or  
17 instructional materials, or both, and took action to ensure that each pupil would have sufficient  
18 textbooks or instructional materials, or both, within two months of the beginning of the school  
19 year in which the determination was made.

20 (6) Verify whether the governing board made a written determination as to whether each  
21 pupil enrolled in a foreign language or health course had sufficient textbooks or instructional  
22 materials that were consistent with the content and cycles of the curriculum frameworks  
23 adopted by the State Board of Education for those subjects.

24 (7) Verify whether the governing board determined the availability of laboratory science

1 equipment as applicable to science laboratory courses offered in grades 9 to 12, inclusive.

2 (b) If the school district or county office of education was not in compliance with any of  
3 the requirements set forth in audit procedures 1 through 5 of subparagraph (a) of this section,  
4 the school district or county office of education was not eligible to receive an Instructional  
5 Materials Funding Realignment Program allowance for the fiscal year audited. Include a  
6 finding in the Findings and Recommendations section of the audit report showing the full  
7 amount of Instructional Materials Funding Realignment Program allowance received as  
8 disallowed.

9 (c) If the school district or county office of education was not in compliance with any of  
10 the requirements set forth in audit procedures 6 or 7 of subparagraph (a) of this section, report  
11 the noncompliance in a finding in the Findings and Recommendations section of the audit  
12 report.

13 (d) Purchase of Instructional Materials:

14 (1) Determine whether any of the funds received by the local education agency from any of  
15 the programs enumerated in subdivision (a) of Education Code Section 42605 were expended  
16 during the year audited to purchase instructional materials.

17 (2) For kindergarten and grades 1 through 8, review the school district's or county office of  
18 education's list of instructional materials purchased and select a sample to verify that the  
19 materials were adopted by the State Board of Education in March 1999 or later, are in one of  
20 the four eligible subject areas, and bear the copyright date and are of editions of the materials  
21 adopted by the State Board of Education.

22 (3) For grades 9 through 12, review the local education agency's list of instructional  
23 materials purchased and select a sample to verify that the materials were reviewed and  
24 approved through a resolution adopted by the local education agency's governing board as

1 being aligned with State Board of Education-adopted content standards as defined by Section  
2 60605.

3 (e) If any of the instructional materials purchased from any of the funds received by the  
4 local education agency from any of the programs enumerated in subdivision (a) of Education  
5 Code Section 42605 are found not to meet the criteria set forth in subparagraphs (e)(2) or (e)(3)  
6 of this section, include the amount inappropriately spent in a finding in the Findings and  
7 Recommendations section of the audit report as disallowed.

8 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501,  
9 14502.1, 14503, and 41020, Education Code.

10 **§ 19837.2. School Accountability Report Card.**

11 For fiscal year 2008-09 ~~and each fiscal year thereafter~~, perform the following procedures:

12 (a) Obtain copies of the quarterly report of summarized complaint data compiled pursuant  
13 to the provisions of subdivision (d) of Education Code Section 35186. Identify any complaints  
14 related to teacher misassignment or vacancies included in the summarized data and compare  
15 each such complaint to the information on teacher misassignment or vacancies stated in the  
16 School Accountability Report Card for the school identified in the complaint, as required by  
17 the provisions of subdivision (b)(5) of Education Code Section 33126. If the information in the  
18 School Accountability Report Card is inconsistent with the information in the complaint,  
19 interview management to determine the basis of the inconsistency. If the School  
20 Accountability Report Card was inaccurate, include a finding in the Findings and  
21 Recommendations section of the audit report.

22 (b) For each school in the sample of schools selected pursuant to Section 19817.1(b),  
23 obtain the school district's or county office of education's copy of its most recently completed  
24 school facility conditions evaluation instrument developed by the Office of Public School

1 Construction and approved by the State Allocation Board, or a local evaluation instrument that  
2 meets the same criteria, pursuant to the provisions of subdivision (d) of Education Code  
3 Section 17002. If the evaluation instrument was completed prior to the publication of the  
4 school's School Accountability Report Card, compare the information contained in the  
5 evaluation instrument to the information on safety, cleanliness, and adequacy of school  
6 facilities contained in the School Accountability Report Card for that school as required by the  
7 provisions of subdivision (b)(9) of Education Code Section 33126. If the information in the  
8 School Accountability Report Card is inconsistent with the information in the evaluation  
9 instrument, interview management to determine the basis of the inconsistency. If the School  
10 Accountability Report Card was inaccurate, include a finding in the Findings and  
11 Recommendations section of the audit report.

12 (c) For each school in the sample of schools selected pursuant to Section 19817.1(b),  
13 compare the information on the availability of sufficient textbooks and other instructional  
14 materials included in the School Accountability Report Card pursuant to the provisions of  
15 subdivision (b)(6)(B) of Education Code Section 33126 with the information in the resolution  
16 reviewed pursuant to Section 19828.3(b)(5) and the information in the determinations reviewed  
17 pursuant to Section 19828.3(b)(6) and Section 19828.3(b)(7). If the information in the School  
18 Accountability Report Card is inconsistent with the information in the resolution or the  
19 determinations, interview management to determine the basis of the inconsistency. If the  
20 School Accountability Report Card was inaccurate, include a finding in the Findings and  
21 Recommendations section of the audit report.

22 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501, 14502.1,  
23 14503 and 41020, Education Code.

24 **§ 19837.3. School Accountability Report Card.**

1       For fiscal year 2009-10 and each fiscal year thereafter, perform the following procedures:

2       (a) Obtain copies of the quarterly report of summarized complaint data compiled pursuant  
3 to the provisions of subdivision (d) of Education Code Section 35186. Identify any complaints  
4 related to teacher misassignment or vacancies included in the summarized data and compare  
5 each such complaint to the information on teacher misassignment or vacancies stated in the  
6 School Accountability Report Card for the school identified in the complaint, as required by  
7 the provisions of subdivision (b)(5) of Education Code Section 33126. If the information in the  
8 School Accountability Report Card is inconsistent with the information in the complaint,  
9 interview management to determine the basis of the inconsistency. If the School  
10 Accountability Report Card was inaccurate, include a finding in the Findings and  
11 Recommendations section of the audit report.

12       (b) For each school in the sample of schools selected pursuant to Section 19817.1(b),  
13 obtain the school district's or county office of education's copy of its most recently completed  
14 "Facility Inspection Tool (FIT), School Facility Conditions Evaluation" developed by the  
15 Office of Public School Construction and approved by the State Allocation Board and  
16 applicable to the year audited, or a local evaluation instrument that meets the same criteria,  
17 pursuant to the provisions of subdivision (d) of Education Code Section 17002. If the FIT was  
18 completed prior to the publication of the school's School Accountability Report Card, compare  
19 the information contained in the FIT to the information on safety, cleanliness, and adequacy of  
20 school facilities contained in the School Accountability Report Card for that school as required  
21 by the provisions of subdivision (b)(9) of Education Code Section 33126. If the information in  
22 the School Accountability Report Card is inconsistent with the information in the FIT,  
23 interview management to determine the basis of the inconsistency. If the School  
24 Accountability Report Card was inaccurate, include a finding in the Findings and



1 Recommendations section of the audit report.

2 (c) For each school in the sample of schools selected pursuant to Section 19817.1(b),  
3 compare the information on the availability of sufficient textbooks and other instructional  
4 materials included in the School Accountability Report Card pursuant to the provisions of  
5 subdivision (b)(6)(B) of Education Code Section 33126 with the information in the resolution  
6 reviewed pursuant to Section 19828.4(a)(5) and the information in the determinations reviewed  
7 pursuant to Section 19828.4(a)(6) and Section 19828.4(a)(7). If the information in the School  
8 Accountability Report Card is inconsistent with the information in the resolution or the  
9 determinations, interview management to determine the basis of the inconsistency. If the  
10 School Accountability Report Card was inaccurate, include a finding in the Findings and  
11 Recommendations section of the audit report.

12 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501, 14502.1,  
13 14503 and 41020, Education Code.

14 **§ 19839. Public Hearing Requirement – Receipt of Funds.**

15 For fiscal years 2009-10 through 2012-13, if the school district or county office of education  
16 received any funds from the programs enumerated in subdivision (a) of Education Code Section  
17 42605, perform the following procedures:

18 (a) Determine whether, with regard to the use of funds in the year audited, the governing  
19 board, (1) at a regularly scheduled open public hearing or hearings, (2) took testimony from the  
20 public, (3) discussed the proposed use of the funding, and (4) approved or disapproved the  
21 proposed use of funding from the 39 programs enumerated in subdivision (a) of Education Code  
22 Section 42605, by reviewing minutes or other records of the governing board that document that  
23 the governing board held such a public hearing or hearings before determining the use of the  
24 funds. The public hearing may have been held in the prior year.

1       **(b) If the governing board, at a regularly scheduled open public hearing, did not take**  
2       **testimony from the public, or did not discuss the proposed use of the funding, or did not**  
3       **approve or disapprove the proposed use of the funding, the school district or county office of**  
4       **education did not meet the condition set forth in subdivision (c)(2) of Education Code Section**  
5       **42605 for receipt of funds for any and all of the 39 programs enumerated in subdivision (a) of**  
6       **Education Code Section 42605 for the fiscal year audited. Include a finding in the Findings**  
7       **and Recommendations section of the audit report showing the full amount received by the**  
8       **school district or county office of education for any and all of the 39 programs as disallowed.**

9       **NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14501, 14502.1,**  
10       **14503 and 41020, Education Code.**

11       **Article 3.1. State Compliance Procedures: School Districts and Charter Schools**

12       **§ 19845.1. Class Size Reduction.**

13       For fiscal year 2004-05 ~~and each fiscal year thereafter~~ through fiscal year 2007-08, perform  
14       the following audit steps:

15       If the school district or charter school received Class Size Reduction Program funding for  
16       the year audited, perform the following procedures, using daily averaging in all instances in  
17       which averaging is required.

18       (a) Verify the mathematical accuracy of the Class Size Reduction Program claim form  
19       submitted to the California Department of Education.

20       (b) Option One Classes

21       (1) Select a sample of classes from those that were certified as eligible for Option One  
22       Class Size Reduction Program funding, using the following procedures:

23       (A) The number of classes to be reviewed shall be based on auditor judgment, but the  
24       selection of classes shall be made randomly.

1 (B) For each class selected, the sample shall include at least 15 days randomly selected  
2 from all instructional days that occurred between the first day of instruction and April 15,  
3 inclusive, of the year audited.

4 (C) If class size for the sampled classes was more than 20.4 when averaged over a period  
5 from the first day of instruction to April 15, inclusive, the auditor shall conduct a more in-  
6 depth review. The in-depth review shall be either of the following:

7 1. A review of all instructional days for all classes for which a district or charter school has  
8 requested funding pursuant to the provisions of Education Code Section 52126.

9 2. A randomly selected sample of all classes and instructional days, of sufficient size and  
10 designed in such a manner that the auditor can conclude, with a 95 percent degree of  
11 confidence, that the average daily class size for each class, when averaged over the period from  
12 the first day of instruction to April 15, did not exceed 20.4.

13 (D) The district or charter school shall make the determination as to which of the two in-  
14 depth review methods set forth in the immediately preceding subparagraph shall be used.

15 (2) For sampled classes, review the data used to prepare the list of Option One classes  
16 reported to the California Department of Education, to verify that the report is supported by  
17 contemporaneous records.

18 (3) For sampled classes, review teacher assignments and other available pupil and teacher  
19 assignment data to verify that the number of students reported as being under the immediate  
20 supervision of each assigned teacher for each class reported was the actual class size for a  
21 substantial majority of the full regular school day.

22 (c) Option Two Classes

23 (1) Select a sample of classes from those that were certified as eligible for Option Two  
24 Class Size Reduction Program funding, using the following procedures:

1 (A) The number of classes to be reviewed shall be based on auditor judgment, but the  
2 selection of classes shall be made randomly.

3 (B) For each class selected, the sample shall include at least 15 days randomly selected  
4 from all instructional days that occurred between the first day of instruction and April 15,  
5 inclusive, of the year audited.

6 (C) If class size for the sampled classes was more than 20.4 when averaged over a period  
7 from the first day of instruction to April 15, inclusive, the auditor shall conduct a more in-  
8 depth review. The in-depth review shall be either of the following:

9 1. A review of all instructional days for all classes for which a district or charter school has  
10 requested funding pursuant to the provisions of Education Code Section 52126.

11 2. A randomly selected sample of all classes and instructional days, of sufficient size and  
12 designed in such a manner that the auditor can conclude, with a 95 percent degree of  
13 confidence, that the average daily class size for each class, when averaged over the period from  
14 the first day of instruction to April 15, did not exceed 20.4.

15 (D) The district or charter school shall make the determination as to which of the two in-  
16 depth review methods set forth in the immediately preceding subparagraph shall be used.

17 (2) For sampled classes, review the data used to prepare the list of Option Two classes  
18 reported to the California Department of Education, to verify that the report is supported by  
19 contemporaneous records.

20 (3) For sampled classes, review teacher assignments and other available data to ensure that  
21 the class size reported was the maximum actual class size for at least one-half of the  
22 instructional minutes offered per day in each grade for which Option Two Class Size  
23 Reduction funding was claimed.

24 (4) Review class schedules to ensure that the time that pupils spent in Option Two classes

1 was primarily devoted to instruction in reading or mathematics.

2 (d) Class Size Reduction option for districts or charter schools with only one school serving  
3 K-3:

4 For school districts or charter schools that participate in Class Size Reduction pursuant to  
5 the provisions of subdivision (h) of Education Code Section 52122, verify that:

6 (1) The school had no more than two classes per participating grade level,

7 (2) The governing board made a public declaration as set forth in subdivision (h)(2) of  
8 Education Code Section 52122,

9 (3) The average class size of all classes participating in Class Size Reduction, combined,  
10 did not exceed 20.4, and

11 (4) The pupil-to-teacher ratio did not exceed 22.4 to 1 in any class.

12 (e) General requirements:

13 (1) For all sampled classes, and for classes claimed for Class Size Reduction funding in  
14 districts or charter schools with only one school serving kindergarten and grades 1 through 3,  
15 review the school level information used to complete the California Department of Education's  
16 reporting form. Verify that:

17 (A) classes claimed for funding were for pupils in kindergarten, or grades 1 to 3, inclusive;

18 (B) if only one grade level was reduced, it was grade 1;

19 (C) if two grade levels were reduced, they were grades 1 and 2; and

20 (D) priority was given to the reduction of classes in grades 1 and 2 before classes in  
21 kindergarten or grade 3 were reduced.

22 (2) For the sampled classes, verify that the district or charter school did not report to the  
23 California Department of Education on the Class Size Reduction reporting form:

24 (A) any classes consisting of special education pupils enrolled in special day classes on a

1 full-time basis,

2 (B) any pupil who was enrolled in independent study or home study for the full regular  
3 school day,

4 (C) any pupil who was enrolled in independent study or home study for any portion of the  
5 full regular school day, for that portion of each day that the pupil was on independent study or  
6 home study, or

7 (D) any pupil enrolled in a Class Size Reduction combination class who was at a grade  
8 level ineligible for Class Size Reduction funding.

9 (3) For the sampled classes, verify that counts began on the first teaching day each class  
10 existed.

11 (4) If a district elected to reduce class size through the use of an early-late instructional  
12 program and claimed Class Size Reduction funding for Option One classes, verify that it did  
13 not follow the provisions of Education Code Section 46205 when calculating instructional time  
14 used to qualify for Longer Instructional Day and Year incentive funding unless the district  
15 operated an early-late instructional program pursuant to the provisions of Education Code  
16 Section 46205 prior to July 1, 1996.

17 (5) If a district elected to reduce class size through the use of an early-late instructional  
18 program and claimed Class Size Reduction funding for Option Two classes, verify that it did  
19 not follow the provisions of Education Code Section 46205 when calculating instructional time  
20 used to qualify for Longer Instructional Day and Year incentive funding.

21 (f) If any of the classes reported for Class Size Reduction funding is found to be ineligible  
22 for such funding pursuant to any of the foregoing audit procedures, or if any individual pupils  
23 in eligible classes are found to have been ineligible because of their grade level(s) but to have  
24 been included in the number of eligible pupils reported, or both, prepare, and include in the

Findings and Recommendations section of the audit report, a schedule summarizing the results of all procedures and displaying the numbers of noncompliant classes by grade level, number of pupils incorrectly reported as eligible, and Class Size Reduction funding claimed on the basis of those classes and pupils. Include the data for each ineligible class only once, even if found to have been ineligible for Class Size Reduction funding in more than one of the steps in the audit procedures. Display information separately for classes with annual average enrollments determined, pursuant to the provisions of Education Code Section 52124.5, to be

(1) equal to or greater than 20.5 but less than 21.0, with a 20 percent reduction of the amount to which the district would otherwise be eligible for each such class;

(2) equal to or greater than 21.0 but less than 21.5, with a 40 percent reduction of the amount to which the district would otherwise be eligible for each such class;

(3) equal to or greater than 21.5 but less than 21.9, with an 80 percent reduction of the amount to which the district would otherwise be eligible for each such class; and

(4) equal to or greater than 21.9, with a 100 percent reduction of the amount to which the district would otherwise be eligible for each such class.

(g) Interview management regarding the district's staff development program.

(1) Verify that the staff development program required, as set forth in Education Code Section 52127, that any certificated teacher providing direct instruction to a class in the Class Size Reduction Program receive the appropriate training necessary to maximize the educational advantages of Class Size Reduction, including but not limited to methods for providing individualized instruction; effective teaching, including classroom management, in smaller classes; identifying and responding to student needs; and opportunities to build on the individual strengths of students.

(2) If the district did not have a staff development program as set forth in Education Code

Section 52127, include a finding in the Findings and Recommendations section of the audit report showing the full amount of Class Size Reduction funding received as disallowed.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

**§ 19845.2. Class Size Reduction.**

For fiscal year 2008–09 through 2011–12 only, perform the following audit steps:

If the school district or charter school received Class Size Reduction Program funding for the year audited, perform the following procedures, using daily averaging in all instances in which averaging is required.

(a) Verify the mathematical accuracy of the Class Size Reduction Program claim form submitted to the California Department of Education.

(b) Option One Classes

(1) Select a sample of classes from those that were certified as eligible for Option One Class Size Reduction Program funding, using the following procedures:

(A) The number of classes to be reviewed shall be based on auditor judgment, but the selection of classes shall be made randomly.

(B) For each class selected, the sample shall include at least 15 days randomly selected from all instructional days that occurred between the first day of instruction and April 15, inclusive, of the year audited.

(C) If class size for the sampled classes was more than 20.4 when averaged over a period from the first day of instruction to April 15, inclusive, the auditor shall conduct a more in-depth review. The in-depth review shall be either of the following:

1. A review of all instructional days for all classes for which a district or charter school has requested funding pursuant to the provisions of Education Code Section 52126.



1        2. A randomly selected sample of all classes and instructional days, of sufficient size and  
2        designed in such a manner that the auditor can conclude, with a 95 percent degree of  
3        confidence, that the average daily class size for each class, when averaged over the period from  
4        the first day of instruction to April 15, did not exceed 20.4.

5        (D) The district or charter school shall make the determination as to which of the two in-  
6        depth review methods set forth in the immediately preceding subparagraph shall be used.

7        (2) For sampled classes, review the data used to prepare the list of Option One classes  
8        reported to the California Department of Education, to verify that the report is supported by  
9        contemporaneous records.

10       (3) For sampled classes, review teacher assignments and other available pupil and teacher  
11       assignment data to verify that the number of students reported as being under the immediate  
12       supervision of each assigned teacher for each class reported was the actual class size for a  
13       substantial majority of the full regular school day.

14       (c) Option Two Classes

15       (1) Select a sample of classes from those that were certified as eligible for Option Two  
16       Class Size Reduction Program funding, using the following procedures:

17       (A) The number of classes to be reviewed shall be based on auditor judgment, but the  
18       selection of classes shall be made randomly.

19       (B) For each class selected, the sample shall include at least 15 days randomly selected  
20       from all instructional days that occurred between the first day of instruction and April 15,  
21       inclusive, of the year audited.

22       (C) If class size for the sampled classes was more than 20.4 when averaged over a period  
23       from the first day of instruction to April 15, inclusive, the auditor shall conduct a more in-  
24       depth review. The in-depth review shall be either of the following:

1 1. A review of all instructional days for all classes for which a district or charter school has  
2 requested funding pursuant to the provisions of Education Code Section 52126.

3 2. A randomly selected sample of all classes and instructional days, of sufficient size and  
4 designed in such a manner that the auditor can conclude, with a 95 percent degree of  
5 confidence, that the average daily class size for each class, when averaged over the period from  
6 the first day of instruction to April 15, did not exceed 20.4.

7 (D) The district or charter school shall make the determination as to which of the two in-  
8 depth review methods set forth in the immediately preceding subparagraph shall be used.

9 (2) For sampled classes, review the data used to prepare the list of Option Two classes  
10 reported to the California Department of Education, to verify that the report is supported by  
11 contemporaneous records.

12 (3) For sampled classes, review teacher assignments and other available data to ensure that  
13 the class size reported was the maximum actual class size for at least one-half of the  
14 instructional minutes offered per day in each grade for which Option Two Class Size  
15 Reduction funding was claimed.

16 (4) Review class schedules to ensure that the time that pupils spent in Option Two classes  
17 was primarily devoted to instruction in reading or mathematics.

18 (d) Class Size Reduction option for districts or charter schools with only one school serving  
19 K-3:

20 For school districts or charter schools that participate in Class Size Reduction pursuant to  
21 the provisions of subdivision (h) of Education Code Section 52122, verify that:

22 (1) The school had no more than two classes per participating grade level,

23 (2) The governing board made a public declaration as set forth in subdivision (h)(2) of  
24 Education Code Section 52122,

1       (3) The average class size of all classes participating in Class Size Reduction, combined,  
2       did not exceed 20.4, and

3       (4) The pupil-to-teacher ratio did not exceed 22.4 to 1 in any class.

4       (e) General requirements:

5       (1) For all sampled classes, and for classes claimed for Class Size Reduction funding in  
6       districts or charter schools with only one school serving kindergarten and grades 1 through 3,  
7       review the school level information used to complete the California Department of Education's  
8       reporting form. Verify that:

9       (A) classes claimed for funding were for pupils in kindergarten, or grades 1 to 3, inclusive;  
10       (B) if only one grade level was reduced, it was grade 1;  
11       (C) if two grade levels were reduced, they were grades 1 and 2; and  
12       (D) priority was given to the reduction of classes in grades 1 and 2 before classes in  
13       kindergarten or grade 3 were reduced.

14       (2) For the sampled classes, verify that the district or charter school did not report to the  
15       California Department of Education on the Class Size Reduction reporting form:

16       (A) any classes consisting of special education pupils enrolled in special day classes on a  
17       full-time basis,

18       (B) any pupil who was enrolled in independent study or home study for the full regular  
19       school day,

20       (C) any pupil who was enrolled in independent study or home study for any portion of the  
21       full regular school day, for that portion of each day that the pupil was on independent study or  
22       home study, or

23       (D) any pupil enrolled in a Class Size Reduction combination class who was at a grade  
24       level ineligible for Class Size Reduction funding.

1       (3) For the sampled classes, verify that counts began on the first teaching day each class  
2       existed.

3       (4) If a district elected to reduce class size through the use of an early-late instructional  
4       program and claimed Class Size Reduction funding for Option One classes, verify that it did  
5       not follow the provisions of Education Code Section 46205 when calculating instructional time  
6       used to qualify for Longer Instructional Day and Year incentive funding unless the district  
7       operated an early-late instructional program pursuant to the provisions of Education Code  
8       Section 46205 prior to July 1, 1996.

9       (5) If a district elected to reduce class size through the use of an early-late instructional  
10       program and claimed Class Size Reduction funding for Option Two classes, verify that it did  
11       not follow the provisions of Education Code Section 46205 when calculating instructional time  
12       used to qualify for Longer Instructional Day and Year incentive funding.

13       (f) If any of the classes reported for Class Size Reduction funding is found to be ineligible  
14       for such funding pursuant to any of the foregoing audit procedures, or if any individual pupils  
15       in eligible classes are found to have been ineligible because of their grade level(s) but to have  
16       been included in the number of eligible pupils reported, or both, prepare, and include in the  
17       Findings and Recommendations section of the audit report, a schedule summarizing the results  
18       of all procedures and displaying the numbers of noncompliant classes by grade level, number  
19       of pupils incorrectly reported as eligible, and Class Size Reduction funding claimed on the  
20       basis of those classes and pupils. Include the data for each ineligible class only once, even if  
21       found to have been ineligible for Class Size Reduction funding in more than one of the steps in  
22       the audit procedures. Display information separately for classes with annual average  
23       enrollments determined, pursuant to the provisions of Education Code Section 52124.5, to be

24       (1) equal to or greater than 20.5 but less than 21.5, with a 5 percent reduction of the amount

1 to which the district would otherwise be eligible for each such class;

2 (2) equal to or greater than 21.5 but less than 22.5, with a 10 percent reduction of the  
3 amount to which the district would otherwise be eligible for each such class;

4 (3) equal to or greater than 22.5 but less than 23, with a 15 percent reduction of the amount  
5 to which the district would otherwise be eligible for each such class; and

6 (4) equal to or greater than 23 but less than 25, with a 20 percent reduction of the amount to  
7 which the district would otherwise be eligible for each such class; and

8 (5) equal to or greater than 25, with a 30 percent reduction of the amount to which the  
9 district would otherwise be eligible for each such class.

10 (g) Interview management regarding the district's staff development program.

11 (1) Verify that the staff development program required, as set forth in Education Code  
12 Section 52127, that any certificated teacher providing direct instruction to a class in the Class  
13 Size Reduction Program receive the appropriate training necessary to maximize the  
14 educational advantages of Class Size Reduction, including but not limited to methods for  
15 providing individualized instruction; effective teaching, including classroom management, in  
16 smaller classes; identifying and responding to student needs; and opportunities to build on the  
17 individual strengths of students.

18 (2) If the district did not have a staff development program as set forth in Education Code  
19 Section 52127, include a finding in the Findings and Recommendations section of the audit  
20 report showing the full amount of Class Size Reduction funding received as disallowed.

21 NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503  
22 and 41020, Education Code.

23 **§ 19846. After School Education and Safety Program.**

24 If the local education agency received After School Education and Safety funds, perform

1 the following procedures:

2 (a) If the local education agency operated an after school program component:

3 (1) Determine whether the local education agency established a policy regarding  
4 reasonable early daily release of pupils from the program.

5 (2) Select a representative sample of schools for each program type, as that term is used in  
6 the attendance report, for which data was reported to the California Department of Education  
7 for the after school base grant program. Determine whether the reported number of students  
8 served, as that term is used in the report, for each selected school is supported by written  
9 records that document pupil participation, by tracing the reported numbers through any  
10 documentation used to summarize the numbers of students served, to written data origination  
11 documentation.

12 (3) For each school selected pursuant to subparagraph (a)(2) of this section, determine  
13 whether the after school program commenced every day immediately upon the conclusion of  
14 the regular schoolday, operated a minimum of 15 hours per week, and operated until at least  
15 6:00 p.m. every regular schoolday, by reviewing, for example, local policies and procedures,  
16 program staffing schedules, sign in/out sheets, program brochures, and other relevant  
17 documentation.

18 (4) For each school selected pursuant to subparagraph (a)(2) of this section, determine  
19 whether elementary school pupils participated in the full day of the after school program on  
20 every day during which pupils participated, and determine whether pupils in middle or junior  
21 high schools attended the after school program a minimum of nine hours a week and three days  
22 a week, except as consistent with the established early release policy.

23 (5) If any noncompliance is found through the foregoing procedures, include a statement in  
24 the Findings and Recommendations section of the audit report, stating that the local education

1 agency did not have a policy on reasonable early daily release from the after school program, if  
2 that is the case, and including discrepancies, if any, between the reported numbers of students  
3 served and the totals arising from the supporting documentation; failure to operate consistent  
4 with the days/hours requirements set forth in subparagraph (a)(3) of this section, if any; and the  
5 portion of reported students served that resulted from attendance, inconsistent with the  
6 established early release policy, by elementary school pupils for less than the full day of the  
7 after school program, and from attendance by middle or junior high school pupils for less than  
8 nine hours a week or fewer than three days a week, if any.

9 (b) If the local education agency operated a before school program component:

10 (1) Determine whether the local education agency established a policy regarding  
11 reasonable late daily arrival of pupils to the program.

12 (2) Select a representative sample of schools for each program type, as that term is used in  
13 the attendance report, for which data was reported to the California Department of Education  
14 for the before school base grant program. Determine whether the reported number of students  
15 served, as that term is used in the report, for each selected school is supported by written  
16 records that document pupil participation, by tracing the reported numbers through any  
17 documentation used to summarize the numbers of students served, to written data origination  
18 documentation.

19 (3) For each school selected pursuant to subparagraph (b)(2) of this section,

20 (A) Determine whether the local education agency operated the before school program for  
21 not less than one and one-half hours per regular schoolday, by reviewing, for example, local  
22 policies and procedures, program staffing schedules, sign in/out sheets, program brochures,  
23 and other relevant documentation.

24 (B) Determine whether attendance by pupils for less than one-half of the daily program

hours was included in the report of students served.

(4) For each school selected pursuant to subparagraph (b)(2) of this section, determine whether elementary school pupils participated in the full day of the before school program on every day during which pupils participated, and determine whether pupils in middle or junior high schools attended the before school program a minimum of six hours a week ~~and~~ or three days a week, except as consistent with the late arrival policy.

(5) If any noncompliance is identified through the foregoing procedures, include a statement in the Findings and Recommendations section of the audit report, stating that the local education agency did not have a policy on reasonable late daily arrival of pupils to the before school program, if that is the case, and including discrepancies, if any, between the reported numbers of students served and the totals arising from the supporting documentation; failure to operate for the required hours each schoolday as set forth in subparagraph (b)(3)(A) of this section, if any; and the portion of reported students served that resulted from attendance, inconsistent with the established late arrival policy, by elementary school pupils for less than the full day of the before school program, and by middle or junior high school pupils for less than six hours a week or fewer than three days a week, if any.

(c) General requirements:

(1) Verify that the local education agency contributed cash or in-kind local funds, equal to not less than one-third of the total state grant, which may have originated from the school district, other governmental agencies, community organizations, or the private sector. Facilities or space usage may fulfill not more than 25 percent of the required local contribution.

(2) Review program expenditures by performing the following procedures:

(A) Verify that expenditures of state funds for indirect costs were the lesser of the local education agency's indirect cost rate as approved by the California Department of Education



for the year audited, or 5 percent of the state funding received.

(B) Verify that not more than 15 percent of the state funding was expended for administrative costs, including indirect costs charged to the program.

(C) Verify that not less than 85 percent of the state funding was allocated to schoolsites for direct services to pupils.

(3) If the local education agency did not meet the minimum cash or in-kind local contribution requirement, spent state program funding on excess indirect costs or on excess administrative costs, provided an insufficient allocation to schoolsites, or any combination of the foregoing, include a finding in the Findings and Recommendations section of the audit report stating, correspondingly, the amount of the local match requirement, the amount by which the local education agency failed to meet the match requirement, the excess amount of the local match requirement fulfilled through facilities or space usage, the amount(s) inappropriately spent, and the amount of the insufficiency in schoolsite allocations.

NOTE: Authority cited: Section 14502.1, Education Code. Reference: Sections 8482.3, 14502.1, 14503 and 41020, Education Code.

06/08/09

## **Finding of Emergency**

The Education Audit Appeals Panel (EAAP) has statutory authority to use the emergency regulations process to meet the deadlines specified for the adoption of an annual audit guide by July 1 of the fiscal year to be audited (and any supplement, as authorized, before March 1 of the audit year). (Educ. Code § 14502.1(b).)

### **Specific Facts Showing the Need for Immediate Action**

Education Code Section 41020 requires the governing board of every local education agency (LEA) that serves kindergarten or any of grades 1 through 12 (K-12) to provide for an annual audit of the agency's books and accounts. Section 41020 further requires that the audit be developed and reported using a format established by the Controller after consultation with the Superintendent of Public Instruction and Director of Finance. Education Code Section 14502.1 requires the Controller, in consultation with the Department of Finance and the State Department of Education as well as representatives of specified organizations, to propose the content of an audit guide to promote accountability for public educational funds.

Education Code Section 14502.1 requires the Controller to submit the audit guide to EAAP for review and possible amendment. EAAP is then to adopt the audit guide pursuant to the rulemaking procedures of the Administrative Procedure Act (APA) by July 1 of the fiscal year to be audited. (EAAP is also authorized to adopt, before March 1 of the audit year, a supplemental audit guide to address legislative changes in the conditions of apportionment of school funding.)

To meet the statutory timelines and ensure the accuracy of the audit guide, Section 14502.1 authorizes use of the emergency regulations procedures of the APA to adopt the guide as regulations. Meeting the timelines in Section 14502.1 through use of the emergency regulations procedures affords notice to K-12 LEAs of the areas of their operations that will be subjected to particular scrutiny, at the beginning of the fiscal year that will subsequently be scrutinized through the audit process. Further, meeting the timelines enables accounting firms to prepare training materials and provide training to their field auditors prior to the commencement of auditing.

### **Authority and Reference**

Authority cited: Section 14502.1, Education Code.

Reference: sections 14501, 14502.1, 14503, and 41020, Education Code.

### **Informative Digest**

The purpose of these regulations is to provide definitions of terms and specification of procedures to guide accountants in the conduct of statutorily required financial and compliance audits of K-12 local education agencies.

Effective February 20, 2009, education trailer bill Senate Bill 4 of the 2009-10 Third Extraordinary Session (SBX3 4; Chapter 12, Statutes 2009) made several changes in law. Significantly, for fiscal years 2008-09 through 2012-13, Education Code Section 42605 provides for flexibility, with specified exceptions, in the use of funds from 39 enumerated programs for any educational purpose (subdivisions (a), (e)); and provides that local education agencies will be deemed in compliance with the program and funding requirements associated with those programs (subdivision (d)).

The bill was enacted too late for EAAP to promulgate supplementary regulations to incorporate the changes into the 2008-09 Audit Guide before March 1 as required by Education Code Section 14502.1(b). The changes that impact audits of fiscal year 2008-09 consist of removal from the audit guide of four programs (sections 19821, 19822, 19827 and 19838), a reduction in procedures for one program (section 19828.3), as well as reduced penalties for non-compliance in another program (19845.1). Accountants have already begun to conduct audits of fiscal year 2008-09. For clarity for the field – for accountants who audit local education agencies as well as for the agencies themselves – the changes that conform the sections of the regulations applicable to audits of 2008-09 to the February 20, 2009, statutory changes are included in this rulemaking. The rulemaking also accomplishes the annual update of the guide for 2009-10 as proposed by the State Controller pursuant to Education Code Section 14502.1(a).

**Title 5, Division 1.5**  
**Chapter 3. Audits of California K - 12 Local Education Agencies**  
**Article 2 Audit Reports**

**§ 19815. Report Components**

This section specifies the format of the LEA audit reports as proposed by the State Controller. (Educ. Code § 41020(d).)

Subparagraph (c) is amended as proposed by the State Controller to specify that, beginning with audits of the 2009-10 fiscal year, the schedule of budgetary comparison data be reported by object. Some audit firms have reported this information by function and some have reported by object. Reporting by object is more meaningful than reporting by function for budgetary projections and trend analyses, and consistency will facilitate state agency reviews of fiscal solvency.

**§ 19816. Definitions.**

This section defines terms used in Section 19815 of these regulations that pertain to state program compliance and to federal publications referenced in Section 19815.

Subparagraph (e) is amended as proposed by the State Controller to conform the language used in the report on internal control to current audit standards. Minor wording changes were also made for style consistency within this subparagraph.

Subparagraph (f)(6) is amended to modify the numbers of audit procedures included in the audit guide for fiscal year 2008-09 to reflect audit procedure amendments.

Subparagraph (f)(7) is added to specify the numbers of audit procedures proposed for inclusion in the audit guide for fiscal year 2009-10.

Subparagraph (h) is amended as proposed by the State Controller to specify that, beginning with audits of the 2009-10 fiscal year, the schedule of Average Daily Attendance (ADA) is to include additional columns displaying the final ADA for both the Second Period and the Annual reports after any ADA adjustments resulting from audit findings. The additional information will facilitate audit resolution by state agencies.

### **§ 19816.1. Applicability of Audit Procedures by Audit Year.**

This section specifies which sections of the audit guide are applicable to each audit year.

Pursuant to the Controller's proposals and consistent with subdivisions (a) and (d) of recently enacted Education Code Section 42605, the following sections are omitted from subparagraph (a)(6) for audits of fiscal year 2008-09: 19821 Adult Education, 19822 Regional Occupational Centers and Programs, 19827 Morgan Hart Class Size Reduction Program, and 19838 Mathematics and Reading Professional Development. New Section 19845.2 Class Size Reduction is included in subparagraph (b)(6).

The sections that are applicable to audits of fiscal year 2009-10 are listed in new subparagraph (a)(7) for Article 3, new subparagraph (b)(7) for Article 3.1, and new subparagraph (c)(5) for Article 4. Section 19818 Kindergarten Continuance was omitted from the 2008-09 audit guide as proposed by the Controller, but for one year only. That section is again included in the 2009-10 audit guide as reflected in subparagraph (a)(7).

### **Article 3. State Compliance Requirements: Local Education Agencies Other Than Charter Schools.**

#### **§ 19821.5. California Work Opportunity and Responsibility to Kids (CalWORKs)**

Subdivision (a) of Education Code Section 42605 includes adult education funding (budget act Item 6110-156-0001) and regional occupational centers or programs (ROC/P) funding (budget act Item 6110-105-0001), and subdivision (d) provides that local educational agencies "shall be deemed to be in compliance with the program and funding requirements contained in statutory, regulatory, and provisional language, associated with the items enumerated in subdivision (a)." However, subdivision (e) provides

- (e) Notwithstanding subdivision (d), the following requirements shall continue to apply:
- (1) For Items 6110-105-0001 and 6110-156-0001, the amount authorized for flexibility shall exclude the funding provided for instruction of CalWORKs eligible students pursuant to schedules (2) and (3), and provisions 2 and 4.

Because compliance with the referenced provisional language in the budget act is not deemed, the audit procedures in Section 19821.5 direct the auditor, for those school districts and ROC/Ps that serve CalWORKs eligible students, to determine whether the school district or ROC/P met the requirements for claiming CalWORKs funds provided for instruction of CalWORKs eligible students pursuant to schedules (2) and (3), and provisions 2 and 4, as specified in Provision 4 of Budget Act Item 6110-156-0001 (Statutes of 2009, Chapter 1 (SBX3 1)). If the school district or ROC/P did not meet those requirements, the funds must be reported as disallowed.

The auditor is also directed to verify that that the funds received for instruction of CalWORKs eligible students were used only as specified in Provision 2 of Budget Act Item 6110-156-0001 (Statutes of 2009, Chapter 1 (SBX3 1)). If the school district or ROC/P did not expend the funds in compliance with those requirements, the portion of the funds expended for other purposes or that was used to supplant existing funds and services for CalWORKs eligible students must be reported as disallowed.

### **§ 19825.1. Community Day Schools**

The Community Day School Program was established by the Legislature in 1995 for the purpose of providing school districts with additional resources to provide instructional programs for pupils who have been expelled or who need a highly structured school setting.<sup>1</sup> The program is governed by Education Code sections 48660 and following. Community day schools must provide a minimum schoolday of 360 minutes of instruction. (Educ. Code § 48663(a).)

Regular ADA for all pupils in community day schools is funded from continuous appropriations, not annual budget act appropriations. Subparagraphs (a) through (c) of Section 19825.1 direct auditors in the procedures to verify that school districts that operate community day schools provide a 360-minute minimum day through checking bell schedules and scheduling practices; checking schedules for individual pupils in a sample selected from all enrolled pupils; and checking staffing assignments and employment records. Subparagraph (d) provides for reporting any findings identified through these procedures.

Budget act Item 6110-190-0001 is included in the flexibility provision of Education Code Section 42605(a), allowing use of funds for any educational purpose, and subdivision (d) of that statute provides that school districts will be deemed in compliance with the associated program and funding requirements. Item 6110-190-0001 provides the additional funding available pursuant to Education Code sections 48663(c) and 48664(a) for actual attendance in the 5<sup>th</sup> and 6<sup>th</sup> hour of instruction (“5<sup>th</sup> and 6<sup>th</sup> hour ADA”) for pupils whose expulsion was not mandatory – that is, for those pupils expelled for any other reasons – and for all other pupils referred to community day school for one of the conditions specified in subdivision (b) of Education Code Section 48662. (Educ. Code § 48664(f).)

The additional funding available for 5<sup>th</sup> and 6<sup>th</sup> hour ADA for mandatorily expelled pupils is provided from continuous appropriations; these funds are not included in the flexibility provisions of Education Code Section 42605. Subparagraph (e) of Section 19825.1 directs auditors to determine whether any of the pupils whose attendance was claimed for 5<sup>th</sup> and 6<sup>th</sup> hours were identified as other than mandatorily expelled. If so, subparagraph (f) directs the auditor to report the attendance for those pupils who were not identified as mandatorily expelled as disallowed.

Subparagraph (g) directs that a sample of pupils be selected from among those pupils claimed for 5<sup>th</sup> and 6<sup>th</sup> hour ADA and identified as mandatorily expelled. The auditor is directed to verify that these pupils were actually expelled pursuant to subdivision (d) of Education Code Section 48915 for one of the acts specified in subdivision (c) of Education Code Section 48915. Subparagraph (h) directs the auditor to report any inappropriately reported 5<sup>th</sup> and 6<sup>th</sup> hour ADA for those pupils who were not mandatorily expelled, along with the estimated dollar value of that ADA.

Education Code Section 48663(c) sets forth the requirements that must be met in order for school districts to claim the additional funding provided by Education Code Section 48664:

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<sup>1</sup> School districts are required to provide an educational program for any pupil who is subject to an expulsion order for the period of expulsion (Educ. Code § 48916.1). County superintendents of schools that operate county community schools pursuant to Education Code Section 1980 are required, in conjunction with superintendents of school districts in the county, to develop a plan for providing education services to all expelled pupils in the county (Educ. Code § 48926).

attendance must be reported in clock hours and districts must maintain a record of hourly pupil attendance configured so as to substantiate that each hour or portion of an hour of a pupil's scheduled and credited attendance was separately determined. Attendance of less than five clock hours is disregarded, five hours of attendance is deemed one-half day of attendance, and six hours or more of attendance is deemed to be one day of attendance. Subparagraph (i) directs the auditor to verify compliance with these provisions for mandatorily expelled pupils whose attendance was claimed for 5<sup>th</sup> and 6<sup>th</sup> hour ADA. Subparagraph (h) directs that any inappropriately reported units of 5<sup>th</sup> and 6<sup>th</sup> hour ADA identified through subparagraph (i) be reported as disallowed.

### **§ 19828.3. Instructional Materials**

To be eligible to receive funds available from the State Instructional Materials Fund, school districts and county offices of education must meet the requirements of Education Code Sections 60119. (Educ. Code §§ 60118, 60119, 60252.) There have also been restrictions on the expenditure of those funds. (Educ. Code §§ 60242, 60242.5.)

This section is amended to modify the introductory sentence to indicate its applicability only to fiscal year 2008-09 and not fiscal years thereafter. Subparagraph (a) is amended to clarify that the audit regulation refers to subdivision (d) of Education Code Section 60119 as it read until amended effective February 20, 2009. Prior to that amendment, the audit procedures set forth in subparagraph (b) applied only in those years in which the school district or county office of education received an increase in the base revenue limit of at least 1 percent per unit of ADA from the prior fiscal year.

Subparagraphs (e) and (f), related to expenditure of monies from the Instructional Materials Funding Realignment Program, are omitted consistent with the provisions of subdivisions (a), (d), and (e) of Education Code Section 42605.

### **§ 19828.4. Instructional Materials.**

This successor section will apply to audits of fiscal year 2009-10 and each fiscal year thereafter. Subdivision (d) of Education Section 60119 was amended effective February 20, 2009, to omit the trigger (an increase in the base revenue limit of at least 1 percent per unit of ADA from the prior fiscal year) and provide instead that “The governing board of a school district<sup>2</sup> that receives funds for instructional materials from any state source is subject to the requirements of this section” every year.

Subparagraphs (a) through (c) of Section 19828.4 direct the same audit procedures as subparagraphs (b) through (d) of Section 19828.3. Even though the funds received for the purposes of the Pupil Textbook and Instructional Materials Incentive Program (Article 7 of Chapter 1 of Part 33 of the Education Code, commencing with Section 60117) that are made available pursuant to Item 6110-189-0001 of the annual budget act may be used for any educational purpose (Educ. Code § 42605(a)), the school district or county office of education is not eligible to receive those funds unless it takes the actions prescribed in Education Code Section 60119, including the provision of sufficient standards-aligned textbooks and instructional materials within two months of the beginning of the school year. (Educ. Code §§ 60119, 60252(a)(1), 60422.1(b) and (c).).

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<sup>2</sup> Education Code Section 60118 provides, in pertinent part, that “For the purposes of this article, the terms ‘governing board of a school district’ and ‘governing board’ are deemed to include county boards of education.”

Subparagraph (d) of Section 19828.4 directs the auditor to determine whether any of the funds received by the local education agency from any of the programs identified in subdivision (a) of Education Code Section 42605 were expended to purchase any instructional materials. If so, then the auditor is to verify that materials purchased meet the requirements of subdivision (e)(2) of Education Code Section 42605 (also see Educ. Code § 60400). Subparagraph (e) directs the auditor to report the amount inappropriately spent, if any, in a finding as disallowed.

#### **§ 19837.2. School Accountability Report Card**

Education Code Section 33126 specifies the elements of the School Accountability Report Card, which provides data to allow meaningful comparisons among public schools. The audited elements are teacher misassignments (Educ. Code § 33126(b)(5)), textbooks and instructional materials (Educ. Code § 33126(b)(6)(B)), and school facilities (Educ. Code § 33126(b)(9)). (Educ. Code § 14501(b)(3).)

This section has been amended to modify the introductory sentence to indicate its applicability only to fiscal year 2008-09.

#### **§ 19837.3. School Accountability Report Card.**

This successor section will apply to audits of fiscal year 2009-10 and each fiscal year thereafter. Subparagraph (b) is amended to change the reference to the “school facilities evaluation instrument” to the name of the document approved for that use by the State Allocation Board.

Subparagraph (c) is amended to change the cross references made to Section 19828.3 to the appropriate subparagraphs of the successor regulation, Section 19828.4.

#### **§ 19839. Public Hearing Requirement – Receipt of Funds**

Subdivision (c)(2) of Education Code Section 42605 provides that, as a condition of receipt of funds from the 39 programs identified in subdivision (a), the governing board “at a regularly scheduled open public hearing shall take testimony from the public, discuss, and approve or disapprove the proposed use of funding.” This new audit guide section directs auditors to verify, by reviewing the governing board’s minutes or other records,<sup>3</sup> that the school district governing board or the board of the county office of education conducted the regularly scheduled open public hearing (or hearings)<sup>4</sup> required as a condition of receipt of any or all of these funds. The burden is on school districts to maintain records sufficient to show that the governing board not only took action regarding the use of the funds under these programs, but also that a regularly scheduled open public hearing was held at which public testimony was taken, the proposed use of the funds was discussed, and action was taken to approve or disapprove the proposed uses.

If the auditor determines (1) no regularly scheduled open public hearing was held, (2) testimony was not taken, or the proposed use of funding was not (3) discussed and (4) approved or

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<sup>3</sup> Education Code § 35145 requires, in pertinent part, “... All actions authorized or required by law of the governing board shall be taken at the meetings and shall be subject to the following requirements: (a) Minutes shall be taken at all of those meetings, recording all actions taken by the governing board. The minutes are public records and shall be available to the public.”

<sup>4</sup> Education Code Section 42120 and following addresses annual budget requirements, including requirements for public hearings for the adoption of the budget for the subsequent fiscal year. The hearing required for eligibility for funding under the 39 programs included in budget flexibility could be included in this same budget adoption process.

disapproved, the auditor is directed to include a finding in the audit report showing the full amount of funding received for any and all of the 39 programs as disallowed.

### **Article 3.1. State Compliance Requirements: School Districts and Charter Schools.**

#### **§ 19845.1. Class Size Reduction**

The statutes governing Class Size Reduction for kindergarten and grades 1 through 3 (K-3 CSR; Education Code sections 52120 and following) set forth provisions applicable to Option One programs (full school day), Option Two programs (one-half of the instructional minutes offered per day), programs in districts that have only one school that serves kindergarten and grades 1 through 3, and requirements applicable to all K-3 CSR programs. Charter schools are eligible for K3 CSR funding and must comply with all of the program requirements. (Educ. Code § 52121.5.)

This section has been amended to modify the introductory sentence to indicate its applicability through fiscal year 2007-08.

#### **§ 19845.2. Class Size Reduction**

This successor section is applicable to fiscal years 2008-09 through 2011-12 only. K-3 CSR is not included in the flexibility provisions of Education Code Section 42605. However, the penalty provisions set forth in subdivision (e) of Education Code Section 52124 were modified for fiscal years beginning with 2008-09 by subdivision (a) of Education Code Section 52124.3. Subparagraph (f) directs the auditor in applying the revised ranges and penalty percentages.

#### **§ 19846. After School Education and Safety Program.**

This section directs the auditor to check for compliance with the requirements of the After School Education and Safety Program (Ed. Code § 8482 et seq.). Charter schools are included in the definition of local education agencies as eligible applicants for this program (Ed. Code § 8482.3(e)(1)). All applicants are required to agree to follow all fiscal reporting and auditing standards required by the California Department of Education (Ed. Code § 8482.3(e)(5)).

Subparagraph (a) addresses the after school component; subparagraph (b) addresses the before school component; subparagraph (c) addresses general requirements applicable whether the local education agency operates either or both program components.

Subparagraph (b)(4) is amended to correct the word “and” to “or” in compliance with Education Code Section 8483.1(a)(2)).

#### **Mandate on Local Agencies or School Districts**

EAAP has determined that these regulations do not impose a mandate on local education agencies. No reimbursement is required.

#### **Cost Estimate**

EAAP has also determined that the regulations will involve no costs or savings to any State agency, no nondiscretionary costs or savings to local agencies or school districts, no reimbursable costs or savings to local agencies or school districts under Section 17561 of the Government Code, and no costs or savings in federal funding to the State.